



KERING



# *letter*

TO SHAREHOLDERS

SEPTEMBER 2018

---

**MESSAGE FROM  
THE CHAIRMAN AND CEO**

"Kering enjoys  
very solid  
fundamentals"

---

---

**FIRST-HALF 2018  
RESULTS**

€6.4 bn  
in revenue  
€1.8 bn  
in recurring  
operating income

---

---

**NEWS  
FROM OUR HOUSES**

Boucheron  
Pomellato  
Dodo  
Qeelin

---

**MESSAGE FROM  
THE CHAIRMAN AND CEO**



Dear Shareholders,

Kering achieved dazzling top-line and earnings performances in the first half of 2018. Our growth, grounded in the exclusivity and desirability of our brands, is remarkably healthy. The development model we implement across our Houses paves the way for increased value creation as well as profitable and sustained organic growth.

Positioned in structurally high-growth markets, Kering enjoys very solid fundamentals and a balanced portfolio of complementary, high-potential brands with clearly focused priorities.

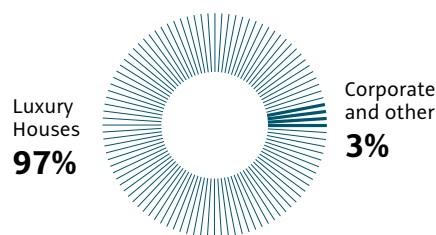
We would like to thank you, our shareholders, for your continued trust and loyalty.

**François-Henri Pinault**

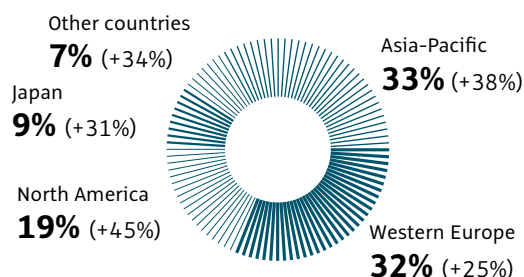
SEPTEMBER 2018

**FIRST-HALF 2018 RESULTS**

**BREAKDOWN OF TOTAL REVENUE  
FROM CONTINUING OPERATIONS**



**BREAKDOWN OF REVENUE (by region)  
as a % of revenue (% comparable growth)**



**Refocused on luxury, Kering is further enhancing its potential for growth and value creation.**

Kering's consolidated **revenue** for the first half of 2018 amounted to €6,431.9 million, up by an excellent 26.8% as reported and 33.9% based on a comparable Group structure and exchange rates. Sales growth was very robust in both mature and emerging markets, with comparable-basis increases of 45.4% in North America, 25.1% in Western Europe, 37.6% in Asia-Pacific (excluding Japan) and 30.7% in Japan.

**Recurring operating income** hit a record high of €1,771.9 million, up 53.1% year on year, and consolidated **recurring operating margin** advanced 470 basis points to 27.5%.

**Free cash flow from operations** soared to €1,400.5 million in the first half of 2018 from €848.4 million in the first six months of 2017.

As of June 30, 2018, **net debt** was €2,793.0 million, down on the December 31 figure. This decrease primarily stemmed from the very high level of free cash flow from operations generated in the first half of 2018, thanks to the Group's excellent operating performance. **Net income attributable to owners of the parent** rose by a remarkable 185.7% to reach €2,359.6 million. Earnings per share stood at €18.74 versus €6.55 for first-half 2017.

**CONSOLIDATED  
KEY FIGURES IN  
FIRST-HALF 2018**

Revenue  
**€6.4 bn**

Recurring operating income  
**€1.8 bn**

Recurring operating margin  
**27.5%**

Net attributable income  
**€2.4 bn**

## FIRST-HALF 2018 RESULTS

The total revenue of Kering's Houses grew at a much faster pace than the industry as a whole, advancing 26.9% as reported and 33.9% on a comparable basis to €6,208.7 million. This spectacular revenue increase was fueled by sales generated both through the Houses' directly operated store network and with wholesalers (up 36.7% and 27.5% respectively on a comparable basis), while online sales more than doubled during the period.



**Gucci** had an excellent first half across the board, with revenue up 44.1% on a comparable basis to €3,853 million. Recurring operating income amounted to €1,470.5 million for the period, up 62.1%, and operating margin gained 620 basis points, reaching a record-high 38.2%. Alessandro Michele's creative vision continued to meet with success among customers and distributors, consolidating Gucci's leading position in the world of fashion and luxury.



**Yves Saint Laurent** pursued its buoyant growth trajectory and expansion strategy in the first half of 2018, with revenue up 19.7% on a comparable basis to reach €808.2 million. Anthony Vaccarello's collections fueled expansion in all product categories and in all regions.

**Bottega Veneta** posted revenue of €552.2 million, down 0.9% on a comparable basis. During the first half of 2018, the House continued to invest in communications and to focus on preserving its high end positioning and exclusivity. The appointment of Daniel Lee as its Creative Director in June marks the start of a new chapter in the House's history.

Sales generated by the Group's **Other Houses** in first-half 2018 advanced 36.5% on a comparable basis, totaling €995.5 million. This very robust year-on-year growth was led by Balenciaga's excellent performance and the strong momentum experienced by Alexander McQueen. All product categories experienced sales growth during the period, especially Shoes and Ready-to-Wear.

**Recurring operating income** from all the Houses soared 51.3% over the period to €1,886 million.



**BOTTEGA VENETA**

## NEWS FROM OUR HOUSES

---

Jewelry-making techniques are among the very oldest skills known to man. Kering has built a diverse portfolio including four jewelry Houses, each with its own personality and a unique creative history: historic Boucheron, Italian Pomellato, millennial Dodo and Asian Qeelin.

---

**BOUCHERON**  
PARIS



**W**ith its new *Nature Triomphante* collection, Boucheron has put an innovative and surprising spin on high jewelry by introducing a new organic material: flower petals. The nine *Fleurs Eternelles* rings herald a new chapter in the Jeweler's creative history. It has taken two years of research and development to create these naturally unique pieces. Using techniques borrowed from science, the roses, anemones, peonies, and hydrangeas worn on the fingers almost look more real than the real thing.

In a context of changing consumer habits and preconceptions about high jewelry, this return to the fundamentals of nature is symbolic of the House's commitment to the sustainable development values held dear by the Kering Group.



## NEWS FROM OUR HOUSES



- 1

**1-** Inspired by Milan: the rounded, golden shapes of the *Iconica* collection are reminiscent of the famous *Duomo*.  
**2-** Pomellato advertising campaign with Chiara Ferragni wearing *Iconica* by Peter Lindbergh.



- 2

Pomellato

**O** riginally created for the brand's 50th anniversary, the *Iconica* collection for 2018 is available in rich rose or white gold, adorned with white or brown diamonds for a touch of Pomellato sparkle. In sensual shapes and golden contours, *Iconica* is voluptuous, striking and bold, celebrating Milan's rich goldsmith heritage. The lightweight pieces can be mixed and matched for a playful yet wearable look in keeping with the brand's signature prêt-à-porter style.

## NEWS FROM OUR HOUSES



**T**he Dodo Spring/Summer advertising campaign is a bold, colorful celebration of self-expression.

In keeping with its Milanese heritage, the brand chose to work with Italian photographer and artist Pierpaolo Ferrari, who has channeled his distinctive surrealist style and astonishing creativity to develop a kaleidoscopic gallery of images.

The photos show the collection's most iconic pieces, juxtaposed with day-to-day objects such as an ice cream cone, a slice of toast, a vintage telephone, and a baseball cap.



## NEWS FROM OUR HOUSES

Created in 2004 by Dennis Chan, Qeelin is a fine jewelry brand inspired by the esthetics and emotional depth of Chinese symbolism. The brand creates exquisite jewelry intended for daily wear that is meaningful, contemporary, and universal.

Named after the *Qilin*, a mythical Chinese creature long believed to bring good fortune, Qeelin fuses unbridled creativity with excellence in craftsmanship. It puts a playful and surprising spin on the world of fine jewelry.

The brand's iconic *Wulu* line revisits the Chinese gourd, a symbol of luck in Chinese tradition, and is Qeelin's best-selling collection.

Qeelin's main distribution focus remains Greater China (mainland China, Hong Kong and Macau). However, the brand has also significantly expanded in markets such as Korea, France and North America, where it is especially popular with clientele traveling from China.

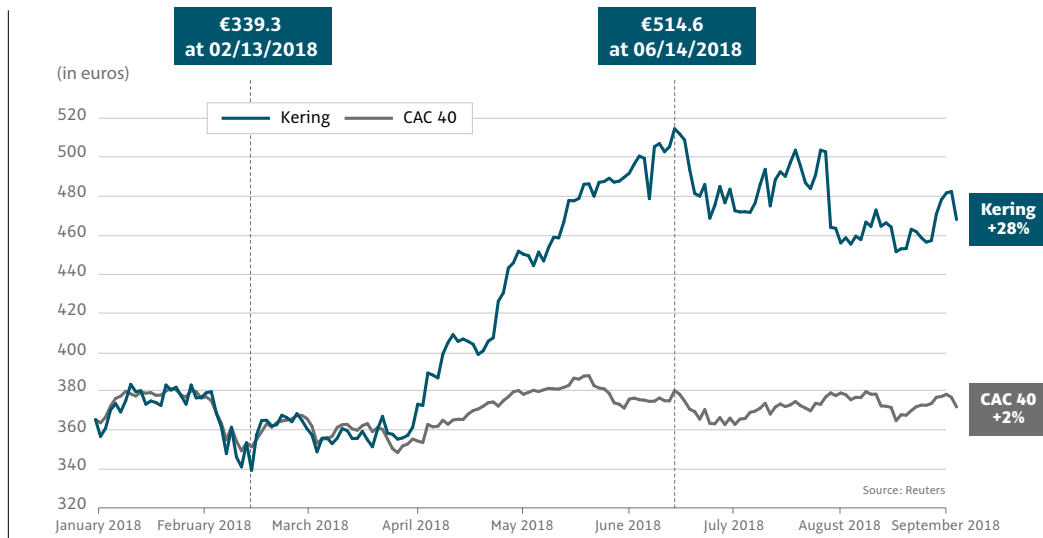


qeelin



## Performance of the Kering share

compared to the CAC 40 index (rebased) from January 1 to August 31, 2018.



**MARKET  
CAPITALIZATION**  
as of August 31, 2018

**€59.1 bn**

**HIGHEST  
SHARE PRICE**  
between January 1  
and August 31, 2018

**€514.6**

**LOWEST  
SHARE PRICE**  
between January 1  
and August 31, 2018

**€339.3**

### SHAREHOLDER'S NOTEBOOK

## Managing your account

For all requests regarding the management of shares held in direct registered form\*, CACEIS is your point of contact.

**CACEIS Corporate Trust**  
14, rue Rouget de Lisle  
92862 Issy-les-Moulineaux, Cedex 9, France  
Phone: +33 (0)1 57 78 34 44  
Fax: +33 (0)1 57 78 32 19  
Email: ct-contact@caceis.com

For any other queries, please contact:

**Kering's Investor Relations Department**  
Phone: +33 (0)1 45 64 65 64  
Email: actionnaire@kering.com

NB: the trade order form is available for download at [www.kering.com](http://www.kering.com) (Finance/Shareholder section).

\* If you own administered registered shares, the financial intermediary who manages your account remains your point of contact.

## Provisional calendar

**October 23, 2018**  
Third-quarter  
2018 revenue

**Kering** – Société anonyme (a French joint stock company) with a share capital of €505,117,288 — Registered office: 40, rue de Sèvres – 75007 Paris, France — 552 075 020 RCS Paris — Phone: +33 (0)1 45 64 61 00 — [www.kering.com](http://www.kering.com)

Published by the Kering Financial Communications department.  
Design and production: **côtécorp**. Photo credits: **Cover** Éric Sander – **Portrait of François-Henri Pinault**: Carole Bellaïche – **Bottega Veneta** Spring/Summer 2018 advertising campaign – **Boucheron** Atelier Mai 98/©François Jorez – **Pomellato** Bodha d'Erasmus & Gilda - Alberto Zanetti - Chiara Ferragni wearing Iconica by Peter Lindbergh – **Dodo** Pierpaolo Ferrari – **Qeelin** Celebrity: Nazha / Photographer: Sun Zhongguo.